

HOUSE BILL REPORT

HB 2726

As Reported by House Committee On:
Economic Development, Agriculture & Trade
Appropriations

Title: An act relating to assisting small manufacturers.

Brief Description: Creating Washington manufacturing services in statute.

Sponsors: Representatives Chase, Skinner, Kessler, Haler, Kilmer, Grant, Chandler, Blake, Clements, Linville, Newhouse, McCoy, Kristiansen, Kenney and Wallace.

Brief History:

Committee Activity:

Economic Development, Agriculture & Trade: 1/24/06, 1/30/06 [DP];
Appropriations: 2/4/06 [DPS].

Brief Summary of Substitute Bill

- Codifies the Washington Manufacturing Services (WMS).
- Directs the WMS to assist small and midsize manufacturers.

HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, AGRICULTURE & TRADE

Majority Report: Do pass. Signed by 21 members: Representatives Linville, Chair; Pettigrew, Vice Chair; Kristiansen, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Appleton, Bailey, Blake, Buri, Chase, Clibborn, Grant, Haler, Holmquist, Kilmer, Kretz, Morrell, Newhouse, Quall, Strow, P. Sullivan and Wallace.

Minority Report: Without recommendation. Signed by 1 member: Representative Dunn.

Staff: Tracey Taylor (786-7196).

Background:

Manufacturing is a major employer in Washington, employing 300,000 residents and accounting for 13 percent of all employment in the state. The manufacturing sector contributes \$26.6 billion to the gross state product. However, manufacturing in Washington is on the decline, losing more than 44,600 jobs between June 2000 and June 2003. With increased competition from overseas manufacturers as well as manufacturers located in other states, Washington's manufacturers are facing economic challenges.

Washington Manufacturing Services (WMS) is a not-for-profit organization with the mission of "fostering economic prosperity in the state of Washington by helping Washington's smaller manufacturers take action to increase their competitiveness (in a socially acceptable and environmentally responsible manner)." Affiliated with the National Institute of Standards and Technology Manufacturing Extension Program, the WMS can link manufacturers with local experts and national resources. Although the WMS is headquartered in Mukilteo, Washington, it maintains field offices throughout the state.

After a free pre-project visit by a WMS project manager, the WMS will develop with the manufacturer a plan of action. The WMS offers a variety of services, including lean manufacturing, industrial marketing and quality, safety, energy conservation, e-Business, software selection, workforce training and product development. The WMS does charge fees for the services.

Summary of Bill:

The Legislature intends to increase the state's support for delivery of modernization services to small and midsize manufacturers as well as leverage federal and private resources.

The WMS is organized as a private, nonprofit corporation in accordance with chapter 24.03 RCW, with the mission of operating a modernization extension system, coordinating a network of private and public modernization resources, and stimulating the competitiveness of small and midsize manufacturers in Washington.

The WMS will be governed by a board of directors. A majority of the board will be representatives of small and medium-sized manufacturing firms, and industry associations, networks or consortia. In addition, the board shall have at least one representative of a labor union or labor council. Ex officio board members include the Director of the Department of Community, Trade, and Economic Development (DCTED), the Executive Director of the State Board for Community and Technical Colleges, and the Director of the Workforce Training and Education Coordinating Board (or their designees).

The WMS must develop policies, plans, and programs to assist in the modernization of businesses in the targeted sectors of Washington's economy and coordinate the delivery of the modernization services. The WMS must provide information about the advantages of modernization to economic development officials, state colleges and universities, and private providers. The WMS must collaborate with the Washington Quality Initiative in the development of manufacturing quality standards and quality certification programs. In addition, the WMS must serve as an information clearinghouse and provide access for users to the federal Manufacturing Extension Partnership's national research and information system. The WMS must also provide, directly or through partners, assistance to industry associations, networks or consortia that would be of value to their members' firms in such areas as advanced business management practices, product development, market research and workforce training.

The WMS may charge fees for services and make and execute contracts or other legal instruments. The WMS may also receive funds from federal, state or local governments, private businesses, foundations, or any other source.

As part of its targeted sector assistance program, the DCTED is directed to assist the WMS in applying for federal and private grants. The DCTED must also contract with the WMS to provide the delivery of education assistance and training services to industry associations, networks or consortia, as well as technical assistance and consulting services to individual manufacturing firms. The DCTED must require the WMS to collect such information as is necessary to determine the effectiveness of its services.

The DCTED's contract with the WMS to develop and implement an educational strategy for assisting small manufacturing firms, should emphasize assistance for firms with 120 employees or less. The educational assistance program may include a combination of seminars and training sessions that provide broad instruction to a large cross section of small manufacturing employers and a program that provides direct consulting services for individual firms.

Up to 30 percent of the funding provided by contract to the WMS must be used to provide individualized consulting services to firms with 100 or fewer employees. Such firms participating in the individualized training program may be required to provide up to 50 percent of the costs of the consulting services.

Appropriation: The sum of \$400,000.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The WMS allows Washington manufacturers to compete within the global economy by making sure we have the best workforce and by giving manufacturers the tools they need to improve their bottom line or expand. For every dollar the state spends on the WMS, there is at least \$1 in federal matching funds. Currently, we cannot fully utilize the federal money allocated to Washington. The focus of the WMS is on the smaller manufacturers who have 100 or less employees. The management of these smaller firms work day to day on the plant floor and do not have the time or the money to see what tools would help them become more profitable, efficient, and/or competitive. In fact, sometimes the small manufacturers do not really know what their problem is and this is why the free assessment by the WMS can be so valuable. While the initial consultations by the WMS are subsidized, the manufacturing firms do pay for the subsequent work.

Testimony Against: None.

Persons Testifying: Representative Chase, prime sponsor; Representative Skinner; and Ron Newbry and Robin Horrell, Washington Manufacturing Services.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 30 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Chandler, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Staff: Elisabeth Donner (786-7391).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Economic Development, Agriculture & Trade:

The Department of Community, Trade, and Economic Development is no longer required to contract with and assist the Washington Manufacturing Services. The \$400,000 appropriation is removed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The program we administer is the Manufacturing Extension Partnership (MEP) which was started in the 1980s by Congress. In most states the MEP is a creature of the state. An example of another organization like this in the state is the Washington Economic Development Finance Authority. It is a creature of the state and yet operates at the edge of the state. Language in the bill was patterned after a piece of legislation brought in 1994 so the state could take advantage of federal matching grant money available to the MEP program. In 1997 Washington Manufacturing Services (WMS) was created to take advantage of that federal program. The state has provided funding to WMS which has been the basis for which they have been able to gain access to federal funds. The WMS works with small manufacturers to help make them become competitive in the global marketplace. The reason we are looking for a reference in statute is to assist us in attracting additional federal grant money from other federal programs. An example is with an Environmental Protection Agency grant that is used to reduce small manufacturer costs and chemical use and output. Section 1 and 2 of the bill is still very important. The appropriation is to help us assist the smallest manufacturers which number almost 5,000 in the state.

Testimony Against: None.

Persons Testifying: Ron Newbry, Washington Manufacturing Service.

Persons Signed In To Testify But Not Testifying: None.